



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340 telephone
(801) 359-3940 fax
(801) 538-7223 TTY
www.nr.utah.gov

October 2, 2002

CERTIFIED RETURN RECEIPT
7099 3400 0016 8895 4876

Ernie Ray Hale
Sierra Stone, Incorporated
475 East Elm
Oakley, Idaho 83346

Re: Second Surety Extension Request & Suspension of Large Mine Permitting Process, Sierra Stone, Inc., Sierra Starlight Quarry, M/003/049, Box Elder County, Utah

Dear Mr. Hale:

On September 23, 2002, we sent you a certified letter approving your September 3, 2002, request for a 15-day extension to submit the initial \$12,000 transitional reclamation surety for your Sierra Starlight Quarry. The Division granted additional time extending the due date to September 27, 2002. On September 27th you contacted the Division requesting another time extension until the Spring of 2003 to submit the required transitional surety. You stated that you have not been able to obtain access to the mine area to perform the mitigation work as required in the Division's August 21, 2002, Non-Compliance findings document.

Because you have failed to demonstrate a good faith effort that you can meet your regulatory obligations, we find it difficult to grant your latest time extension request. Consequently, we are suspending our review and processing of your large mine permit application. ***However, we will extend the timeframe to complete the necessary reclamation to reduce the overall disturbed acreage to a small mine status, or post the initial \$12,000 transitional surety payment until November 1, 2002.***

A recent telephone call from Mr. Doug Pickett (land owner) recommended that reclamation not be required for the 0.68 acre staging area, and the 2.3 acre lower access road disturbance located on their private land (August 21st - mitigation items #2 & #3). ***Should you choose to reclaim the remaining acreage (~1.6 acres quarry area & ~0.35 acre road reclamation) to reduce the affected area to a small mine status, we must be notified at least 5 working days before the scheduled reclamation will begin. You are also reminded that***

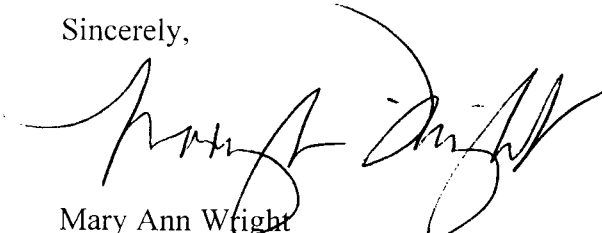
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Ernie Ray Hale
M/003/049
October 2, 2002

working days before the scheduled reclamation will begin. You are also reminded that quarrying activities may not resume until the August 21st mitigation requirements are satisfied (except #2 & #3).

If you are unable to complete the reclamation work, or post the initial \$12,000 surety within this time period, the Division will prepare a formal Notice of Agency Action (NOAA). We will also return your large mine permit application at that time. If the Division issues a NOAA, it will require you to appear at an informal hearing before the Division Director, and/or a formal hearing before the Board of Oil, Gas and Mining. Following public notice and formal hearing, the Board may issue an abatement or compliance Order which may require: immediate termination of all mining operations; revocation of the existing small mine permit and immediate reclamation of the site; and/or other lawful requirements as authorized under the Utah Mined Land Reclamation Act.

If you have any questions regarding the requirements of this letter, please contact me at (801) 538-5306, Wayne Hedberg at 538-5286, or Lynn Kunzler at 538-5310. Thank you for your immediate attention to this matter.

Sincerely,



Mary Ann Wright
Associate Director, Mining

jb
Enclosure: August 21st mitigation requirements
cc: Wayne Hedberg, OGM
Lynn Kunzler, OGM
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August 21, 2002

CERTIFIED RETURN RECEIPT
7099 3400 0016 8895 5064

Ernie Ray Hale, President
Sierra Stone, Inc.
475 East Elm Street
Oakley Idaho 83346

Re: Findings and Mitigation of Non-Compliance, Sierra Stone Inc, Sierra Starlight Quarry, M/003/049, Box Elder County, Utah

Dear Mr. Hale:

Thank you for meeting with the Division on August 20, 2002, to discuss the non-compliance and Division Directive of July 3, 2002, to suspend mining operations at your Sierra Starlight Quarry. As a result of the materials submitted and the items discussed, the following findings are made.

Findings:

1. The operations at the Sierra Starlight Quarry are not in compliance with the Utah Mined Land Reclamation Act and the Division Minerals Program Rules, sections R647-1 through R647-5.
2. The operations have expanded beyond the 5-acre limit for a small mining operation without first having a large mining operation plan approved by the Division.
3. The operations have expanded beyond the 5-acre limit for a small mining operation without first having posted adequate reclamation surety with the Division.
4. Structures (roads) have been constructed or re-aligned without receiving prior approval by the Division.

5. Hazardous, or potentially hazardous materials (oil, fuel, and antifreeze) are stored onsite without secondary containment structures to control potential leaking or spills of these materials.

Mitigation:

To resolve these findings of non-compliance, the following mitigations were agreed to during our meeting:

1. Sierra Stone, Inc. has submitted a large mining operations Notice with the Division. The operator will continue plans to permit the Sierra Starlight Quarry as a large mining operation and will make timely responses to the Division's review of the permit.
2. By September 10, 2002, Sierra Stone, Inc. will reclaim the 2.3 acres of access road that was disturbed by snow removal activities during the 2001-2002 winter. Reclamation will consist of spreading soil materials that are piled up and seeding the area with an approved seed mix.
3. By September 10, 2002, Sierra Stone, Inc. will reclaim the 0.68- acre pad that was used to store equipment and stone located approximately 4,000 feet east-southeast of the Sierra Starlight Quarry. Reclamation will consist of removing any mining-related materials and equipment, lightly scarifying the area and seeding with an approved seed mix.
4. By September 10, 2002, Sierra Stone, Inc. will reclaim those portions of the old access road that were abandoned as a result of constructing switchbacks to reduce the grade of the road. Reclamation will consist of ripping the road surface to eliminate compaction, regrading cut and fill areas to blend into the surrounding topography, and seeding with an approved seed mix.
5. By September 10, 2002, Sierra Stone, Inc. will provide secondary containment structures that will hold a minimum of 110 percent of the volume of the storage tanks for the oil, fuel and antifreeze that are located on site.
6. Sierra Stone, Inc. will provide a transitional reclamation surety for the Sierra Starlight Quarry in the amount of \$33,000.00 (thirty three thousand dollars). It was agreed that an initial amount of \$12,000.00 (twelve thousand dollars) will be posted within 10 days (by September 1, 2002). An additional \$5,000.00 (five thousand dollars) will be posted every 3 months (by December 1, 2002, March 1, 2003, June 1, 2003 and July 1, 2003), with the last deposit being sufficient to bring the total surety amount to the full \$33,000.00 (given interest that would be accruing with the previously posted surety).

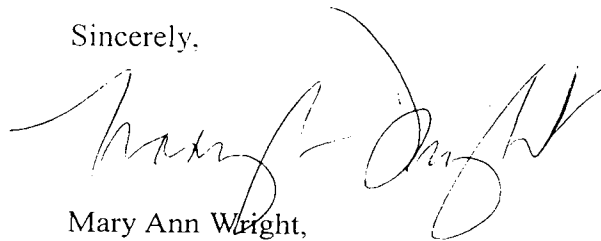
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Ernie Hale
M/003/049
August 21, 2002

Given these commitments as agreed to by signature, the following is authorized: the Division will allow reclamation activities to begin immediately. Quarrying activities may resume once the reclamation work outlined in mitigation items 2, 3, 4 and 5 are completed, and the operator has notified the Division that this work is completed. Also, evidence that the reclamation surety acquisition is progressing must be provided.

Please acknowledge your acceptance of the mitigation by signing below and returning a signed copy to the Division.

If you have any questions regarding this letter, or wish to discuss this matter further, please don't hesitate to contact me at (801) 538-5306, Wayne Hedberg at (801) 538-5286, or Lynn Kunzler at (801) 538-5310.

Sincerely,



Mary Ann Wright,
Associate Director, Mining

jb
cc: Wayne Hedberg, DOGM
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I agree to perform the mitigation as outlined.

Ernie Ray Hale, President
Sierra Stone, Inc.

Date